SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56927; File No. SR-CBOE-2007-145)

December 7, 2007

Self-Regulatory Organizations; Chicago Board Options Exchange, Incorporated; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to the Exchange's Hybrid Electronic Quoting Fee

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on November 30, 2007, the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been substantially prepared by the Exchange. CBOE has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the Exchange under Section 19(b)(3)(A),[3] and Rule 19b-4(f)(2) thereunder,[4] which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

CBOE proposes to amend its Hybrid Electronic Quoting Fee. The text of the proposed rule change is available at the Exchange, the Commission's Public Reference Room, and http://www.cboe.org/legal.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A).

4 17 CFR 240.19b-4(f)(2).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, CBOE included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposal. The text of these statements may be examined at the places specified in Item IV below. CBOE has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to amend CBOE's Hybrid Electronic Quoting Fee, which is applicable to all Market-Makers, RMMs, DPMs and e-DPMs (collectively "liquidity providers") in order to promote and encourage more efficient quoting.

Under the current fee, CBOE assesses all liquidity providers who are submitting electronic quotations to the Exchange in Hybrid and Hybrid 2.0 option classes a monthly fee of $450 per membership utilized.[5] CBOE also assesses or credits fees on liquidity providers that vary depending on: (i) the quality of the liquidity providers' quotation (a quotation is a bid and an offer); and (ii) the value of the underlying security and CBOE's bid in the option series.[6] The fee varies slightly in "high premium series"[7] with respect to Market-Makers and RMMs on the

[5] See Securities Exchange Act Release No. 56602 (October 3, 2007), 72 FR 57620 (October 10, 2007) (SR-CBOE-2007-116).

[6] The value of the underlying security is the closing price of the underlying security on the preceding trading day. The bid is the closing bid in the option series at CBOE on the preceding trading day.

[7] For purposes of this fee, "high premium series" are those series in which the underlying security is less than or equal to $100 and CBOE's bid is greater than $10, or those series in which the underlying security is greater than $100 and CBOE's bid is greater than 15% of the underlying security.

one hand, and DPMs and e-DPMs on the other hand due to the difference in their quoting obligations.

CBOE believes that the quote mitigation strategies it has implemented, including the Hybrid Electronic Quoting Fee, have been effective in mitigating quotations. Some liquidity providers have modified their quoting processes in response to the Hybrid Electronic Quoting Fee. Accordingly, CBOE believes that it would be appropriate to reduce slightly certain of the fees and, thus, reduce the total amount of revenue that CBOE collects from the Hybrid Electronic Quoting Fee. At the same time, CBOE believes that it would be beneficial to increase the amounts that are credited for competitive quotations that improve or match the NBBO, as an incentive to liquidity providers to submit competitive quotations. Specifically, CBOE proposes to amend certain of the fees that are imposed as part of the Hybrid Electronic Quoting Fee as follows:

- Increase the amount that a liquidity provider will be credited if its quotation improves the NBBO on at least one side of the market from $.02 to $.10 per 1,000 quotes.
- Increase the amount that a liquidity provider will be credited if its quotation matches the NBBO on both sides of the market from $.01 to $.03 per 1,000 quotes.
- Decrease the amount that a liquidity provider will be assessed if its quotation matches the NBBO on only one side of the market from $.02 to $0.00.
- In high premium series, decrease the amount that a Market-Maker or RMM will be assessed if its quotation matches the CBOE BBO (which is not the NBBO) on at least one side of the market from $.05 to $.04 per 1,000 quotes.